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INFORMATION REPORT INFORMATION REPORT

CENTRAL INTELLIGENCE AGENCY

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1. On 29 April 1955, directorate sessions were held in both Production Areas of the Ministry of General Machine Construction. The participants were the heads of Productions Areas, the heads of Main Administrations in Production Areas, the heads of Planning, Sales, and Material Supply Departments of the Main Administrations.
2. The new planning policy established in a session of the SED Politbüro on the preceding day was confidentially outlined to the participants by the heads of Production Areas. The participants of the meeting were warned that this was strictly classified information about which not even the production enterprises concerned were to be informed for the present. Heavy punishment was threatened anyone found responsible for a leak.
3. In the session of Production Area 2, Deputy Minister Alfred Wunderlich stated that the 1955 Production Plan is to be changed again - for the fourth time. He made the following statements:
 - a. The policy of employment under all conditions applied so far is to be abandoned and replaced by planning keyed to existing demand. A comparison of the planned 1955 production with actual demand, as expressed by orders on hand and orders which may reasonably be expected to be forthcoming, shows that a large part of the 1955 planned production is not covered by demand.
 - b. In order partly to fill the gap between planned production and present demand, the Council of Ministers recently decided to increase the 1955 investment plan by 100,000,000 DME. The increased investments are to be made mainly in public services, such as postal service and railroads.
 - c. The present actual demand, as expressed in orders already placed and orders expected with certainty, is to be the basis for the planned production during the second, third, and fourth quarters of 1955. The old production plan is to be modified according to this principle. Furthermore, the actual production of the first quarter of 1955 is to be adjusted to the planned production for this quarter, so that the plan fulfillment will be 100%.

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- d. The new planning of production, based on actual demand, will change the manpower plan, because workers will have to be released. Placement for released workers, particularly the younger ones, will be found by increased inductions into the National Armed Forces.
 - e. The new planning line will also free material allocations. The freed material is to be used to compensate for cancelled Soviet imports. In the immediate future, imports from the Soviet Union will decrease considerably. The reason is the Soviet Union's need of these materials, particularly metallurgical materials for strategic purposes (meaning armament production), in view of the threatening international political situation.
 - f. A thorough coordination of production will be established between the USSR and all East Bloc countries, including East Germany. The aim of this coordination is the capability of meeting rapidly and completely all requirements which might possibly present themselves as a result of the international situation. Modern weapons for East Germany and other East Bloc countries will be supplied by the USSR at the "critical moment". Therefore, any material not needed for the new planning based on actual demand will remain in the Soviet Union. Furthermore, the strategic material which is no longer needed in East Germany, as a result of the new planning, will be exported to the Soviet Union.
4. On 2 May 1955, Rudolf Heinze, the head of the Planning Department in the Main Administration RFT of the Ministry of General Machine Construction, reported to Rudolf Schmidt, Head of the Main Administration RFT:
- a. The production review for the first quarter of 1955 shows clearly that many enterprises under the Main Administration RFT did not have sufficient production orders to cover planned production for the first quarter of 1955. The same situation prevails in other main administrations and other ministries.
 - b. This situation offers a good opportunity to start "strategic" production for the National Armed Forces, in order to overcome the discrepancy between planned production and demand.
5. Heinze then inquired whether large-scale orders for strategic production are to be expected as a result of the visit to Moscow of Deputy Minister Alfred Wunderlich. The visit followed Heinrich Rau's request for information on pre-1945 armament production in enterprises under the Minister of Machine Construction.
6. Schmidt replied that Wunderlich left the list of armaments plants in Moscow and returned with the Soviet decision that East Germany will not, at present, start any armament production on a large scale. Among the reasons for the Soviet decision were the following:
- a. Armament production will be coordinated throughout the East Bloc;
 - b. East Germany's particular situation renders large-scale armament production in her area insecure.
7. Wunderlich reported that, according to Soviet views, any armament possibly needed by East Germany, will be made in the "Hinterland", meaning the Soviet Union, and will be supplied to East Germany, when necessary.

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